

**Workshop on standard-offer program and prices**  
**PSB Dockets 7873 and 7874**  
June 22, 2012

**Act 170 Requirements Summary**

1. Modifications to program eligibility, commissioning requirements, etc. (Section 8005a generally)
2. 127.5 MW of additional capacity, with a certain number of MW available each year, starting April 1, 2013 (Section 8005a(c))
3. PSB must complete rules or orders to implement the program by March 1, 2013
4. Allocation of 127.5 MW among technologies (Section 8005a(b)(2))
5. Certain categories of plants do not count toward total program capacity (Section 8005a(d)(2))
6. Greenhouse gas reductions from electric customers served at a transmission rate will reduce the capacity of available standard-offer (Section 8005a(b)(1)(C))
7. Prices of standard-offer projects will be based on an avoided cost methodology (Section 8005a(f))
8. PSB may implement a market-based mechanism for setting prices (Section 8005a(f))
9. PSB must establish prices for existing hydroelectric facilities (Section 8005a(f))

**Procedural Issues**

1. Identify the time frame and priority for addressing the issues (e.g., revisions to the standard-offer contract should be completed first).
2. There will be an opportunity for written comments to identify additional issues for consideration and comment on the process to be used to address the issues.
3. What process should be used to address the substantive issues (written filings, workshops/hearings, some combination)?
4. Should the Board hire an independent consultant?
5. Should the Board develop a single document that would address all of the requirements of the standard-offer program (currently contained in several orders in multiple dockets)?

## **Programmatic issues to be considered (Docket 7873)**

1. Standard-offer contract
  - a. What edits need to be made to the standard-offer contract to reflect the new requirements of Act 170?
  - b. Should some edits be made immediately with other potential edits to follow?
  - c. Should developers be required to submit an interconnection application prior to applying for a standard-offer contract or should developers have some period of time after being conditionally offered a standard-offer project to submit a completed interconnection application? What should be the process for projects with a capacity of 150 kW or less?
  - d. Should developers be required to submit a demonstration that the project is certified by FERC as a qualifying facility? If so, does this have to occur prior to execution of the contract?
2. Status of existing farm-methane projects
  - a. Pursuant to Section 8005a(d)(1), farm methane projects do not count toward the cumulative capacity available for the standard-offer program. Should the existing farm-methane projects in the standard-offer queue (which does not include such projects built prior to the existence of the standard-offer program) count toward the 50 MW of initial standard-offer capacity?
3. Waiting List
  - a. What is the status of projects on the waiting list?
  - b. Should this waiting list continue to be used to fill any vacant spots in the 50 MW initial program ceiling that is available until April 1, 2013?
  - c. Should these projects have any special right to participation in the new capacity amounts available starting April 1, 2013?
4. Projects outside the standard-offer cap

Pursuant to Section 8005a(d)(2) standard-offer projects that “have sufficient benefits to the operation and management of the electric grid or a provider’s portion thereof because of their design, characteristics, location or any other discernible benefit” are not counted toward the standard-offer total capacity cap.

- a. What factors should the Board consider in identifying which projects provide sufficient benefits?
  - b. What type of information must be provided by the electric utilities to enable developers to identify transmission and distribution constraints?
- 5. Technology Allocation
  - a. How shall capacity be allocated among eligible technologies?
  - b. Should the allocation requirement be applied to the amount of capacity available each year or to the total 127.5 MW of new capacity?
- 6. Selection of projects starting April 1
  - a. Given the limited amount of new capacity available on April 1, 2013, how should the Board select projects that would receive standard-offer contracts? (Note: this could be addressed by the implementation of a market-based mechanism.)
  - b. Should there be a waiting list that is in effect for each year, to be utilized in the event that a project drops out within the first year, or should that capacity be available in the next year's offering?
- 7. Greenhouse gas reductions
  - a. Are the calculations used to determine GHG reductions and resulting standard-offer capacity reductions relatively straightforward?

### **Pricing Issues to be considered (Docket 7874)**

- 1. Avoided cost methodology
  - a. Should the Board use a process similar to that previously used to establishing prices?
  - b. To what extent does the pricing model used to calculate standard-offer prices need to be updated to reflect the avoided cost methodology required by statute?
  - c. What additional information will be necessary to calculate costs and how will that information be obtained?
- 2. Market-based pricing
  - a. What types of market mechanisms could be used to develop prices (RFP, auction)?
  - b. Should there be a price cap for each technology?

- c. Should the Board implement a market mechanism to set prices prior to the April 1, 2013, capacity allocation?
- 3. Existing hydroelectric facilities
  - a. To what extent is there flexibility in the determination of standard-offer prices for existing hydroelectric plants?